

Message Text

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R 221655Z MAR 77
FM AMEMBASSY LUXEMBOURG
TO SECSTATE 5655
INFO AMEMBASSY BONN
AMEMBASSY BRUSSELS
AMEMBASSY COPENHAGEN
AMEMBASSY DUBLIN
AMEMBASSY THE HAGUE
AMEMBASSY LONDON
AMEMBASSY PARIS
AMEMBASSY ROME
USMISSION EC BRUSSELS
USMISSION USUN NY
USMISSION NATO
USMNR SHAPE

C O N F I D E N T I A L SECTION 1 OF 3 LUXEMBOURG 0208

SHAPE FOR POLAD

E.O. 11652: GDS
TAGS: PFOR, LU
SUBJ: PARM - ANNUAL POLICY AND RESOURCE ASSESSMENT - PART I

REF: CERP 0001

PART A. U.S. INTERESTS

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1. THE PRINCIPAL UNITED STATES' INTERESTS IN LUXEMBOURG CAN
BE CONSIDERED UNDER FIVE BROAD CATEGORIES: LUXEMBOURG'S
PARTICIPATION IN MULTINATIONAL ORGANIZATIONS; LUXEMBOURG'S
STRATEGIC LOCATION IN THE HEART OF WESTERN EUROPE; SIGNIFICANT
U.S. CAPITAL INVESTMENT IN LUXEMBOURG; PUBLIC RELATIONS;
AND A MISCELLANEOUS CATEGORY ENCOMPASSING DIVERSE INTERESTS,
SUCH AS CONTROL OF INTERNATIONAL NARCOTICS TRAFFIC AND CONSULAR

SERVICES FOR THE RELATIVELY LARGE NUMBER OF AMERICAN CITIZENS LIVING IN OR PASSING THROUGH LUXEMBOURG.

2. THE MOST IMPORTANT OF THESE INTERESTS CENTERS ON LUXEMBOURG'S PARTICIPATION IN MULTINATIONAL ORGANIZATIONS. AS THE S/P TRENDS FORECAST INDICATES, U.S. RELATIONS WITH THE DEMOCRACIES OF WESTERN EUROPE AND JAPAN ARE LIKELY TO REMAIN THE BACKBONE OF U.S. FOREIGN POLICY. THROUGH ITS MEMBERSHIP IN THE EEC, NATO AND THE OECD, LUXEMBOURG'S INFLUENCE WILL BE FELT ON DECISIONS SUCH AS CSCE, THEN MTN, THE NORTH/SOUTH DIALOGUE, EEC ENLARGEMENT AND OTHER ISSUES WHICH WILL SHAPE THE U.S.-EUROPEAN RELATIONSHIP. LUXEMBOURG'S ROLE IS PARTICULARLY IMPORTANT WITHIN THE EUROPEAN ECONOMIC COMMUNITY WHERE ITS WEIGHT IS PROPORTIONATELY MUCH MUCH GREATER THAN ITS SIZE.

3. LUXEMBOURG'S INFLUENCE IN THE UN IS ALSO FAR FROM NEGLIGIBLE. DURING 1975-1976, PRIME MINISTER GASTON THORN SERVED AS PRESIDENT OF THE UNGA (AS WELL AS OF THE EEC). WHEN THE PRIME MINISTER RELINQUISHED HIS UN POST, LUXEMBOURG'S UN ACTIVITIES DIMINISHED ACCORDINGLY. NONETHELESS, THORN ENHANCED HIS REPUTATION AS AN INTERNATIONAL STATESMAN LAST YEAR AND CAN STILL MAKE HIS VOICE HEARD ON UN ISSUES. TO PUT LUXEMBOURG'S MULTINATIONAL ROLE IN PERSPECTIVE, HOWEVER, IT SHOULD BE NOTED THAT THE GOL'S FIRST PRIORITY ON MOST INTERNATIONAL ISSUES IS TO FIND COMMON GROUND WITH ITS EEC PARTNERS.

4. AN ACTIVE MEMBER OF NATO, LUXEMBOURG'S STRATEGIC LOCATION GIVES IT AN IMPORTANCE AGAIN DISPROPORTIONATE TO ITS SIZE.
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WITH A MINISCULE ARMY OF SOME 500 MEN AND VIRTUALLY NO DEFENSE INDUSTRIES, LUXEMBOURG'S CONTRIBUTION TO WESTERN SECURITY IN MEN AND MATERIAL CAN AT BEST BE SYMBOLIC; A SYMBOLISM, HOWEVER, WHICH IS ITSELF IMPORTANT TO THE IMAGE OF NATO AS AN INCLUSIVE ALLIANCE OF THE PEOPLES OF WESTERN EUROPE. THIS IS NOT TO MINIMIZE THE IMPORTANCE OF LUXEMBOURG PAYING ITS FAIR SHARE OF ALLIANCE DEFENSE COSTS. U.S. INTERESTS WILL BE SERVED IF THE GOL MEETS ITS COMMITMENT TO INCREASE DEFENSE SPENDING IN FY1977 BY 4.5 PERCENT, IF IT MAKES SOME CONTRIBUTION TO HIGH-COST NATO PROJECTS SUCH AS AWACS, AND IF IT ESTABLISHES RESERVE FORCES. LUXEMBOURG'S MOST IMPORTANT SECURITY CONTRIBUTION, HOWEVER, IS LOGISTIC; WITH THE SOVIET BUILD-UP OF CONVENTIONAL FORCES FACING WESTERN EUROPE, THE BENELUX COUNTRIES TAKE ON ADDED IMPORTANCE AS AN LOC AND AS A SUPPLY AND STORAGE AREA FOR FRONT-LINE NATO FORCES.

5. UNITED STATES CORPORATIONS CURRENTLY HAVE AN INVESTMENT OF \$380 MILLION IN LUXEMBOURG, THE LARGEST U.S. PER CAPITA INVESTMENT IN WESTERN EUROPE. THE REAL MARKET VALUE OF

THESE INVESTMENTS IS ESTIMATED AT OVER \$570 MILLION AND ADDITIONAL INVESTMENTS OF ABOUT \$100 MILLION ARE PLANNED. U.S. COMPANIES ARE SECOND ONLY TO THE STEEL INDUSTRY IN CONTRIBUTION TO GNP AND EMPLOYMENT. IN ADDITION, TWELVE U.S. BANKS HAVE BRANCHES IN LUXEMBOURG'S FINANCIAL CENTER. THESE FACTORS PROVIDE A STRONG BILATERAL ECONOMIC LINKAGE BETWEEN THE UNITED STATES AND LUXEMBOURG.

6. A LESS TANGIBLE PUBLIC RELATIONS INTEREST LIES IN MAINTAINING THE ENORMOUS RESERVOIR OF GOOD WILL TOWARD THE UNITED STATES WHICH IS DEEPLY INGRAINED IN THE LUXEMBOURG CHARACTER. BY STRENGTHENING THIS BASIC LUXEMBOURG-U.S. RELATIONSHIP, ALL OF THE INTERESTS DISCUSSED IN THIS MESSAGE CAN BE PURSUED MORE SUCCESSFULLY.

PART B. OVERVIEW

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7. LUXEMBOURG ENJOYS A RARE DEGREE OF POLITICAL STABILITY AMONG WESTERN EUROPEAN COUNTRIES. THE PRESENT DEMOCRATIC-SOCIALIST GOVERNMENT HEADED BY PRIME MINISTER THORN WAS FORMED FOLLOWING THE 1974 LEGISLATIVE ELECTIONS. IT IS ALMOST CERTAIN TO REMAIN IN POWER UNTIL THE NEXT ELECTIONS IN 1979. THORN DOMINATES THE GOVERNMENT. WHILE HIS PERSONAL POPULARITY HAS SLIPPED SOMEWHAT FROM ITS HIGH POINT IN MID-1976, HE REMAINS THE MOST CHARISMATIC POLITICAL LEADER ON THE LUXEMBOURG SCENE. IN HIS DUAL CAPACITY AS PRIME MINISTER AND FOREIGN MINISTER, HE IS CLEARLY OUR MOST IMPORTANT INTERLOCUTOR.

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C O N F I D E N T I A L SECTION 2 OF 3 LUXEMBOURG 0208

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8. THORN AND HIS GOVERNMENT ARE COMMITTED TO A STRONG ATLANTIC ALLIANCE, THE GREATEST POSSIBLE US/EEC COOPERATION, A CAUTIOUS BUT POLITICALLY REALISTIC APPROACH TO EEC ENLARGEMENT, TACTICAL FLEXIBILMITY COMBINED WITH STRATEGIC FIRMNESS IN EAST-WEST RELATIONS, AND A PRUDENT BUT FORTHCOMING POSTURE TOWARDS THE THIRD WORLD ON NORTH/SOUTH ISSUES. THE GOL FAVORS FREE TRADE IN PRINCIPLE, BUT SHARES A GROWING EEC-WIDE CONCERN ABOUT THE NINE'S UNFAVORABLE TRADE
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BALANCES WITH THE U.S. AND PARTICULARLY JAPAN. ON HUMAN RIGHTS, THE MIDDLE EAST, CYPRUS, AND SOUTHERN AFRICA, U.S.-LUXEMBOURG POSITIONS ARE NEARLY IDENTICAL. IT IS THE EMBASSY'S CONVICTION THAT THORN'S VIEWS, SO CLOSE TO OUR OWN, CAN BE AN IMPORTANT ASSET IN OUR DEALINGS WITH WESTERN EUROPE AS A WHOLE. HOWEVER, WE MUST INVEST THE NECESSARY TIME AND EFFORT TO CONVINCE THE PRIME MINISTER THAT WE WANT TO WORK CLOSELY WITH HIM AND THAT THE CLOSE COOPERATION OF LUXEMBOURG WITH THE UNITED STATES IS IMPORTANT TO US.

9. WHILE THORN IS THE PARAMOUNT POLITICAL FIGURE IN LUXEMBOURG, HIS GOVERNMENT IS SUPPORTED BY A PARLIAMENTARY COALITION IN WHICH HIS PARTY IS NUMERICALLY THE JUNIOR PARTNER. THORN MUST TAKE SOCIALIST (POSL) VIEWS INTO CONSIDERATION. KEY SOCIALIST LEADERS HAVE MODERATED THEIR POSITIONS ON A NUMBER OF ISSUES SINCE ENTERING THE GOVERNMENT, FOR EXAMPEL, ON THE QUESTION OF WHETHER OR NOT TO MAINTAIN LUXEMBOURG'S SECURITY SERVICE. THEY NOW TOLERATE ITS EXISTANCE RATHER THAN ACTIVELY OPPOSE IT. HOWEVER, THE LEFT WING OF THE SOCIALIST PARTY CONTINUES

TO ARGUE FOR ABOLITION OF THE SERVICE. ON MOST INTERNATIONAL ISSUES, THE POSL LEADERSHIP IS IN STEP WITH U.S. POLICIES. POTENTIALLY THE GREATEST IMPACT THAT SOCIALISTS' POLICIES ARE LIKELY TO HAVE ON U.S. INTERESTS OVER THE NEXT TWO YEARS IS ON U.S. INVESTMENT IN LUXEMBOURG. SHOULD THE CURRENT ECONOMIC RECESSION DEEPEN, THE POSL MIGHT CONCEIVABLY PRESS FOR MEASURES WHICH COULD ADVERSELY AFFECT U.S. INDUSTRIES LOCATED HERE, BOTH DIRECTLY THROUGH INCREASED LABOR COSTS AND/OR INDIRECTLY THROUGH INFLATION.

10. AT THE PRESENT TIME, A MORE RADICAL SOCIALIST ECONOMIC APPROACH REMAINS HYPOTHETICAL, AND IT SHOULD BE EMPHASIZED THAT POSL LEADERSHIP IS MODERATE, MUCH CLOSER, FOR EXAMPLE, TO SCHMIDT'S SPD THAN TO THE MITTERRAND'S PSF. EVEN IF THE RECESSION GETS MUCH WORSE, THERE IS LITTLE DANGER OF EURO-COMMUNISM TAKING ROOT IN LUXEMBOURG THOROUGH CLOSER SOCIALIST-COMMUNIST COOPERATION. LUXEMBOURG'S COMMUNIST PARTY (PCL)
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IS THE MOST STALINIST IN WESTERN EUROPE. WITH THE EXCEPTION OF A POSL/PCL MARRIAGE OF CONVENIENCE AT THE LOCAL LEVEL IN THE INDUSTRIAL CITY OF ESCH, ENMITY BETWEEN SOCIALISTS AND COMMUNISTS RATHER THAN COOPERATION IS THE RULE NOW.

1. ECONOMIC FACTORS LOOM LARGE IN LUXEMBOURG'S ABILITY TO PLAY A POSITIVE ROLE ON ISSUES OF INTEREST TO THE U.S. DURING THE COMING TWO YEARS. LARGELY A ONE-INDUSTRY COUNTRY, SPECIFICALLY STEEL, LUXEMBOURG HAS SUFFERED TWO SUCCESSIVE YEARS OF RECESSION IN ITS STEEL INDUSTRY. THE DOWNTURN IN DEMAND FOR STEEL WAS ONLY SLIGHTLY OFFSET DURING THE PAST TWO YEARS BY THE RELATIVE HEALTH OF LUXEMBOURG'S BANKING SECTOR AND AMERICAN MULTINATIONAL INDUSTRIES. THE STEEL INDUSTRY AND THE GOVERNMENT HAVE BEEN DRAWING DOWN THEIR RESERVES TO MAINTAIN NEARLY FULL EMPLOYMENT THROUGH PUBLIC WORKS PROJECTS AND HIGHLY SUBSIDIZED PLANT IMPROVEMENT. IT IS DOUBTFUL THAT GOVERNMENT OR INDUSTRY CAN SUPPORT THESE UNPROFITABLE EXPENDITURES MUCH LONGER. IF THE RECESSION CONTINUES THROUGH 1977 INTO 1978, THERE IS LITTLE DOUBT THAT LUXEMBOURG WILL BE FACED WITH ITS FIRST SERIOUS WAVE OF UNEMPLOYMENT SINCE WORLD WAR II. THE RESULTS COULD BE INCREASED SOCIAL UNREST, POLITICAL INSTABILITY, A SHARP TURN TOWARDS PROTECTIONISM AND LESS GOV ENTHUSIASM THAN AT PRESENT FOR DEFENSE SPENDING. IN SHORT, THE CONTINUING ECONOMIC CRISIS COULD ADVERSELY AFFECT U.S. INTERESTS ACROSS THE BOARD. BECAUSE LUXEMBOURG'S ECONOMY IS ALMOST ENTIRELY EXPORT ORIENTED, THERE IS LITTLE GOVERNMENT OR INDUSTRY CAN DO ON ITS OWN TO IMPROVE ECONOMIC PROSPECTS AND LUXEMBOURG CONTINUES TO REST ITS HOPES ON AN ECONOMIC UPSWING IN THE UNITED STATES. GERMANY AND FRANCE.

PART C. OBJECTIVES, COURSES OF ACTION AND ISSUES

12. MULTINATIONAL--IN DEALING WITH LUXEMBOURG ON MULTINATIONAL ISSUES, THE U.S. OBJECTIVE IS TWO-FOLD: FIRST, TO ASSURE THROUGH CLOSE CONSULTATIONS THAT LUXEMBOURG OFFICIALS ARE CONFIDENTIAL

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AWARE OF U.S. VIEWS. SECONDLY, THROUGH THIS PROCESS, TO PRESUADE THE GOL TO USE ITS INFLUENCE WITHIN INTERNATIONAL ORGANIZATIONS TO SUPPORT AND , WHERE APPROPRIATE, ADVOCATE U.S. POSITIONS. A NOTE OF CAUTION IS PERHAPS NECESSARY. DESPITE THE GOL'S CLOSE ALIGNMENT WITH THE U.S. ON MOST ISSUES, AND DESPITE PREVASIVE PRO-AMERICAN SENTIMENT IN LUXEMBOURG, THE GOL IS FIRST AND FOREMOST COMMITTED TO MEANINGFUL EEC POLITICAL COOPERATION. IN MOST CASES OF CONFLICTING U.S.-EEC POSITIONS ON INTERNATIONAL ISSUES, LUXEMBOURG'S PRIMARY CONCERN WILL BE EEC POLITICAL COHESIVENESS. AS IN THE PAST, HOWEVER, THE GOL WILL LIKELY BE ON THE SIDE OF THOSE WITHIN THE NINE WHO ARE SYMPATHETIC TO U.S. POLICIES.

13. THERE IS NO DOUBT THAT PRIME MINISTER THORN CAN BE A FORCEFUL ADVOCATE OF POSITIONS WHICH SERVE UNITED STATES' INTERESTES IN MULTINATIONAL BODIES. BUT THORN IS SENSITIVE, PERHAPS OVERSENSITIVE, TO REAL OR IMAGINED SLIGHTS. AT THE SAME TIME, FOR BOTH PERSONAL AND POLITICAL REASONS, HE IS EXTREMELY RESPONSIVE TO HIGH VISIBIITY CONTACT WITH IMPORTANT WESTERN LEADERS, PARTICULARLY AMERICANS. WE RECOGNIZE THAT THORN IS NOT ALONE AMONG FOREIGN LEADERS WHO WANT CONTACT AND EXPOSURE WITH HIGH-LEVEL OFFICIALS IN THE NEW ADMINISTRATION, AND WE RECONGNIZE THAT THERE IS A FINITE AMOUNT OF TIME AND ENERGY THAT CAN BE DEVOTED TO THEM. WE STRONGLY URGE, HOWEVER, THAT AN EARLY OCCASION BE FOUND FOR PERSONAL CONTACT WITH THORN BY THE SECRETARY AND THE PRESIDENT. (THE LONDON NORTH ATLANTIC COUNCIL MEETING IN MAY PROVIDES AN EXCELLENT BEGINNING.) ONLY BY DEVELOPING A SPECIAL, HIGHLY PERSONAL RELATIONSHIP WITH THORN CAN WE TAKE FULL ADVANTAGE OF HIS INFLUENCE IN THE EEC AND OTHER MULTINATIONAL ORGANIZATIONS. IT IS WORTH NOTING THAT A U.S. PRESIDENT IN OFFICE HAS NEVER MADE AN OFFICIAL VISIT TO LUXEMBOURG. WE ARE CERTAIN THAT A VISIT BY PRESIDENT CARTER TO THE SMALLEST BUT MOST LOYAL NATO ALLY WOULD PAY HANDSOME DIVIDENDS.

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14. POLITICAL: IN THE POLITICAL SPHERE, OUR OBJECTIVE IS

TO MAINTAIN GOOD RELATIONS WITH LEADING LUXEMBOURG POLITICIANS,
IN PARTICULAR WITH THORN'S DEMOCRATS AND WITH THE SOCIALISTS.
THE EMBASSY'S EFFORTS OVER THE PAST YEAR WITH THE SOCIALISTS
HAVE BEEN PRODUCTIVE, PARTICULARLY THE USE OF IVP GRANTS FOR
THE SOCIALIST MINISTER OF LABOR AND THE SECRETARY OF STATE FOR
EDUCATION. WE SHOULD CONTINUE TO MAINTAIN THE EXCELLENT RELA-
TIONS WE ENJOY WITH LEADERS OF THE CHRISTIAN-SOCIAL OPPOSITION
WHO, AFTER THE 1979 ELECTIONS:, COULD WELL BE BACK IN GOVERN-
MENT. WE SHOULD ALSO CONTINUE TO MONITOR THE ACTIONS OF THE
LUXEMBOURG COMMUNIST PARTY AND THE SOVIET PRESENCE IN LUXEMBOURG.

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15. ECONOMIC: AS WITH POLITICAL AND SECURITY MATTERS, OUR
PRIMARY OBJECTIVE IS TO PERSUADE THE GOL TO SUPPORT U.S.

ECONOMIC POSITIONS IN MULTINATIONAL FORA. WE SHOULD MAKE A PARTICULAR EFFORT TO KEEP THE GOL INFORMED OF U.S. POSITIONS ON TRADE QUESTIONS, PARTICULARLY IN REGARD TO DEVELOPMENTS AT THE MTN. CLOSE CONSULTATION WITH THE GOL ON ENERGY AND NORTH/SOUTH ISSUES WILL ALSO BE IMPORTANT. BILATERALLY, THE U.S. GOAL SHOULD BE TO ASSURE A FAVORABLE ATMOSPHERE IN LUXEMBOURG
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FOR U.S. INVESTMENT. THE EMBASSY SHOULD CONTINUE TO FACILITATE CONTACT BETWEEN AMERICAN INDUSTRIES AND LUXEMBOURG OFFICIALS, INCLUDING LUXEMBOURG UNION LEADERS. IF THE CURRENT RECESSION CONTINUES, WE SHOULD MAKE SURE THAT THE GOL IS FULLY AWARE OF THE IMPACT ITS ECONOMIC STIMULUS PROGRAMS WILL HAVE ON AMERICAN INDUSTRIES.

16. COMMERCIAL: IN SPITE OF THE ECONOMIC DOWNTURN, LUXEMBOURG REMAINS AN ATTRACTIVE MARKET FOR MANY U.S. PRODUCTS. A SUCCESSFUL COMPUTER-AIDED BUSINESS EQUIPMENT TRADE MISSION RECENTLY VISITED LUXEMBOURG AND AFTER ONE AND A HALF DAYS OF INTENSIVE CONTACTS WAS ABLE TO PROJECT SOME \$750,000 IN SALES OVER THE COMING YEAR. OUR OBJECTIVE SHOULD BE TO INCREASE THE SALES OF U.S. GOODS AND SERVICES IN LUXEMBOURG. TO THIS END, THE DEPARTMENTS OF STATE AND COMMERCE AND THE EMBASSY SHOULD CONTINUE THEIR CLOSE COOPERATION. TRADE MISSIONS VISITING EUROPE SHOULD COME TO LUXEMBOURG WHENEVER FEASIBLE. TOURISM AND BUSINESS TRAVEL TO THE USA FROM AND VIA LUXEMBOURG HAVE BEEN ON THE UPSWING, SERVED BY ICELANDIC AIRLINES FLIGHTS TO NEW YORK AND CHICAGO. PROMOTION OF VISIT USA IS ANOTHER COMMERCIAL PRIORITY.

17. SECURITY: THE U.S. OBJECTIVE SHOULD BE TO ENCOURAGE THE GOL TO MAKE A CONTRIBUTION TO THE ATLANTIC ALLIANCE FULLY COMMENSURATE WITH ITS SIZE AND RESOURCES. WE SHOULD MAINTAIN STEADY PRESSURE ON THE GOL TO MEET ITS DEFENSE SPENDING COMMITMENTS, INCLUDING ITS CONTRIBUTION TOWARDS AWACS. WE SHOULD ALSO ENCOURAGE THE GOL TO ESTABLISH A MILITARY RESERVE PROGRAM TO BACK UP ITS ONE INFANTRY BATTALION (SLIGHTLY UNDER FORCE) NOW COMMITTED TO NATO. U.S.-GOL NEGOTIATIONS ARE CURRENTLY UNDERWAY FOR THE SITING OF AMMUNITION AND EQUIPMENT STORAGE FACILITIES IN LUXEMBOURG. BECAUSE STORAGE SPACE IS NEEDED THROUGHOUT THE BENELUX COUNTRIES AND BECAUSE LUXEMBOURG'S DECISION WILL INFLUENCE THE BELGIAN AND DUTCH DECISIONS, A PRIMARY U.S. OBJECTIVE

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18. PUBLIC AFFAIRS: THE TRENDS FORECAST UNDERScored THE NEED TO FOSTER A FAVORABLE OPINION OF THE U.S. AMONG THE POST-WORLD WAR II GENERATION. THIS IS AS IMPORTANT IN LUXEMBOURG AS ELSEWHERE. AS MENTIONED EARLIER, FEW COUNTRIES IN WESTERN EUROPE, PERHAPS IN THE WORLD, ARE AS BASICALLY PRO-AMERICAN AS LUXEMBOURG. THE U.S. RECORD IN TWO WORLD WARS, CLOSE TIES BETWEEN LUXEMBOURG IMMIGRANTS IN THE UNITED STATES AND THEIR FAMILIES HERE, PLUS ANTI-COMMUNISM AMONG A POPULATION 95 PERCENT CATHOLIC, COMBINE TO NUTURE A VERY FAVORABLE ATTITUDE TOWARDS THE UNITED STATES. BUT, THE NEW GENERATIONS' IMAGE OF WAR IS MORE OFTEN SHAPED BY MY LAI THAN THE BATTLE OF THE BULGE. ITS CULTURAL AND POLITICAL LOYALTIES RUN MORE TOWARDS THE EEC THAN TOWARDS A LARGER ATLANTIC COMMUNITY. WITH DETENTE, THERE IS A TENDENCY TO PUT THE SOVIET THREAT OUT OF MIND. THE SOVIET EMBASSY DIRECTS AN EXTENSIVE AND EFFECTIVE CULTURAL PROGRAM THAT SKILLFULLY STRESSES THE "EUROPEAN" NATURE OF SOVIET LITERATURE, ART, AND MUSIC. IN THESE CIRCUMSTANCES OUR OBJECTIVE SHOULD BE TO PRESENT TO THE LUXEMBOURG PUBLIC THE IMAGE OF A STRONG, DEMOCRATIC, AND CULTURALLY DIVERSE SOCIETY--CONCERNED ABOUT HUMAN RIGHTS BOTH AT HOME AND ABROAD. IN ORDER TO ACHIEVE THIS GOAL WE WILL NEED TO DEVOTE MORE RESOURCES TO PUBLIC AFFAIRS.

19. CONSULAR AFFAIRS: IN ADDITION TO THE 300-500 AMERICAN CITIZENS LIVING IN LUXEMBOURG, A LARGE NUMBER OF AMERICANS PASS THROUGH AS PASSENGERS ON LUXEMBOURG AIRLINES AND INTERNATIONAL AIR LINES, BOTH OF WHICH OFFER "BARGAIN" (NON-IATA) RATES ACROSS THE ATLANTIC. THE CONSULAR WORKLOAD IS AUGMENTED FURTHER BY THE PROXIMITY OF TWO U.S. AIR BASES IN GERMANY AND A LARGE NUMBER OF FRENCH, GERMAN AND BELGIAN VISA APPLICANTS (NON-LUXEMBOURGERS ACCOUNTED FOR AROUND 40 PERCENT OF THE 2250 VISAS WE ISSUED IN 1976). MOREOVER, A SURPRISINGLY LARGE NUMBER OF DESTITUTE AMERICAN TOURISTS DRIFT INTO LUXEMBOURG AT THE END OF EVERY SUMMER. OUR OBJECTIVE IN DEALING WITH AMERICANS AND NON-AMERICANS ALIKE IS TO PROVIDE THE BEST POSSIBLE CONSULAR SERVICES IN THE MOST

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EFFECTIVE AND EFFICIENT MANNER.

20. NARCOTICS: THE U.S. OBJECTIVE IS TO HELP THE GOVERNMENT INTERDICT THE USE OF LUXEMBOURG AS A TRANSIT POINT FOR TRAFFIC IN ILLEGAL DRUGS. EMBASSY EFFORTS, ASSISTED IN AN OUTSTANDING WAY BY THE REGIONAL DEA OFFICE IN BRUSSELS, HAVE BEEN EFFECTIVE IN BRINGING HOME TO LUXEMBOURG OFFICIALS THE SERIOUSNESS OF THE TRAFFICKING PROBLEM AS WELL AS THE POTENTIAL SERIOUSNESS OF DRUG ABUSE IN LUXEMBOURG ITSELF. THE GOVERNMENT HAS TAKEN MEASURES TO STRENGTHEN ITS CUSTOMS AND POLICE CONTROLS AT LUXEMBOURG'S AIRPORT AND ALONG ITS BORDERS. TRAFFICKING, HOWEVER, CONTINUES, AND THE EMBASSY WILL CONTINUE TO WORK CLOSELY WITH DEA AND

CUSTOMS TO CONTRIBUTE TO LUXEMBOURG'S EFFORTS TO CONTROL IT.

21. YOUTH AND BIOGRAPHIC REPORTING: OUR OBJECTIVE IS TO IDENTIFY AND CULTIVATE YOUNG LEADERS IN POLITICS AND OTHER FIELDS WHO HAVE THE POTENTIAL TO RISE TO THE HIGHEST LEVELS IN THE PUBLIC AND PRIVATE SECTORS. WE WILL CONTINUE TO PROVIDE COMPREHENSIVE BIOGRAPHIC REPORTING ON THESE POTENTIAL LEADERS AS WELL AS UPDATING REPORTSON ALREADY ESTABLISHED LEADERS. GINN

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